FIS

Weekly Oil Report

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Market Review:

Crude oil market — Short-term neutral with Brent ranging from $92-$103/bbl, as OPEC agree a reduction of oil production.

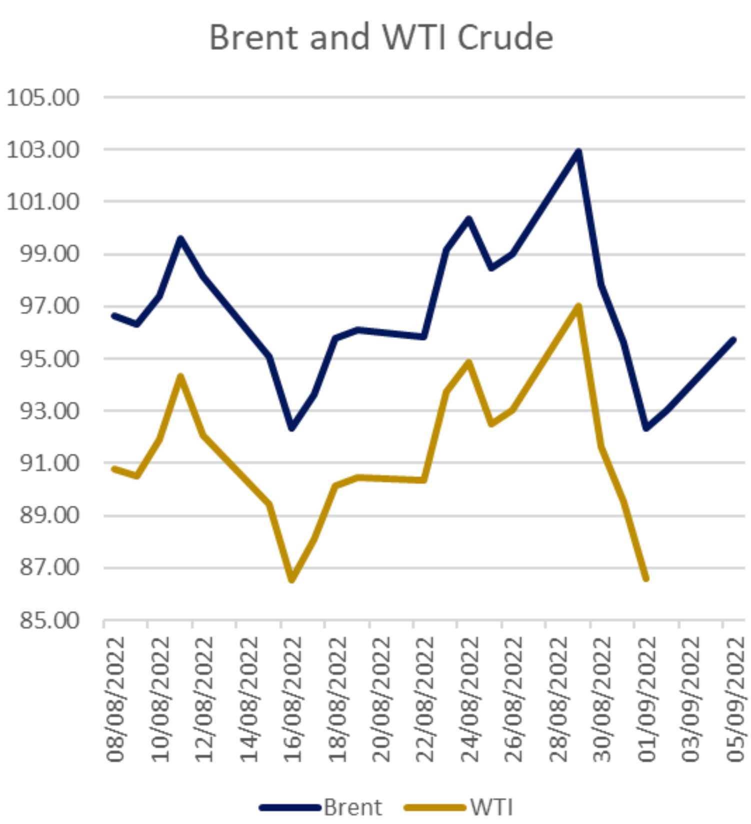
Bunker market — Short-term neutral Singapore VLSFO ranges from $697-$809/mt.

Prices movement	29-Aug	5-Sep	Changes %	Sentiment	
Brent Crude	102.93	95.74	**-6.99**	**Neutral**	→
WTI Crude	97.01	86.87	**-10.45**	**Neutral**	→
VLSFO (Singapore)	790.51	718.11	**-9.26**	**Neutral**	→

Crude Oil Market :

Brent Crude slumped by $7.19, or 6.99%, to $95.74 17.00 GMT week-on-week (w-o-w) on Monday, 5th September. U.S. West Texas Intermediate crude (WTI) was down $10.14 or 10.45%, to $86.87, Oil Price said. The US was closed for Labour Day Monday, 5th September, so there was no settlement on the day.

OPEC has cut their October target oil output by 100,000 barrels per day after Saudi Arabia had previously flagged the possibility of cuts to balance the market. Russia did not support cutting supply. "OPEC+ is wary of protracted price volatility generated by weak macro sentiment, thin liquidity and renewed China lockdowns, as well as uncertainty over a potential U.S.–Iran deal and efforts to create a Russian oil price cap," said Matthew Holland at Energy Aspects, reported by Reuters. It suggests that OPEC would prefer to support prices amid a recession. Prices have fluctuated between $92-$103 for the last two weeks. They haven't said their desired price level, but it could be near this range. This could also be a response based on a possibly supply boost from Iran, and a reduction of demand from China as more restrictions appear again. It was reported that Russia believed cutting oil would suggest to the rest of the world that there is more supply than demand, forecasting a further reduction in prices and Russia's revenue, especially after oil suppliers have made a profit due to higher prices.



Source: FIS, ENGINE Online, OilPrice.com, Reuters, Bloomberg

Crude Oil Market (cont)

Last week G7 ministers a price cap on Moscow to reduce Russia's revenues because of this situation. The ironic thing is that they can't put extreme price caps they need to keep oil flowing to avoid a price spike. Russia also threatens those who implement price caps by cutting off supply. "We simply will not cooperate with them on non-market principles," spokesman Dmitry Peskov told reporters. The situation is highly volatile and could have a completely different outlook at any point in time. OPEC has therefore agreed for their leader Saudi Arabia to call a meeting anytime if volatility persists.

China again experiences lockdown restrictions in areas such as the southern tech hub of Shenzhen adopting tiered anti-virus restriction measures. Other regions like Chengdu announced an extension on lockdown. Fresh outbreaks compete against the property crisis as the most significant risk to the second largest economy. It is impressive that China stuck to its zero-Covid policy when most other countries relaxed restrictions. This risk will continue to make oil demand from China hard to forecast, with it being a seesaw experience throughout the year. Thirty-three cities and 65 million residents remain under partial or full lockdowns. Forecasts of oil demand have been lowered again, and China continues to head for a reduction in oil demand for 2022. S&P Global reported that analysts expected the country's annual oil demand to fall 95,000-260,000b/d from 2021 despite experiencing a monthly growth.

Ongoing news with Iran's nuclear deal experienced mixed reflections w-o-w as negotiations took a turn from the expected outcome. Iran sent a "constructive" response to US proposals. The US responded that it was not constructive but would be reviewed. This delays a significant 1 million bpd of Iranian crude to the market. The European Union's chief diplomat said, "I am less confident today than 28 hours before on the convergence of the negotiation process," Josep Borrell told reporters in Brussels on Monday.

Source: FIS, ENGINE Online, OilPrice.com, Reuters, Bloomberg

Technical view of the Crude Oil Market:

November futures – Technically bullish last week, with intraday wave analysis suggesting that downside moves should be considered countertrends. The calming of the escalation of violence in Iraq resulted in the futures trading below all key support levels, to a low of USD 91.81. We are seeing a bullish overtaking candle today, a move driven by OPEC announcing they will cut production by 100,000 bpd in October. The upside move is not technical, but the production cut will have bullish ramifications. Upside moves that fail at or below USD 100.83 will leave the futures vulnerable to further tests to the downside; above this level, and the technical will have a neutral bias; only above USD 105.48 is the technical considered bullish. OPEC have signalled their intent to support prices, suggesting upside resistance levels are now vulnerable.

FIS senior analyst, Edward Hutton

Bunker Market:

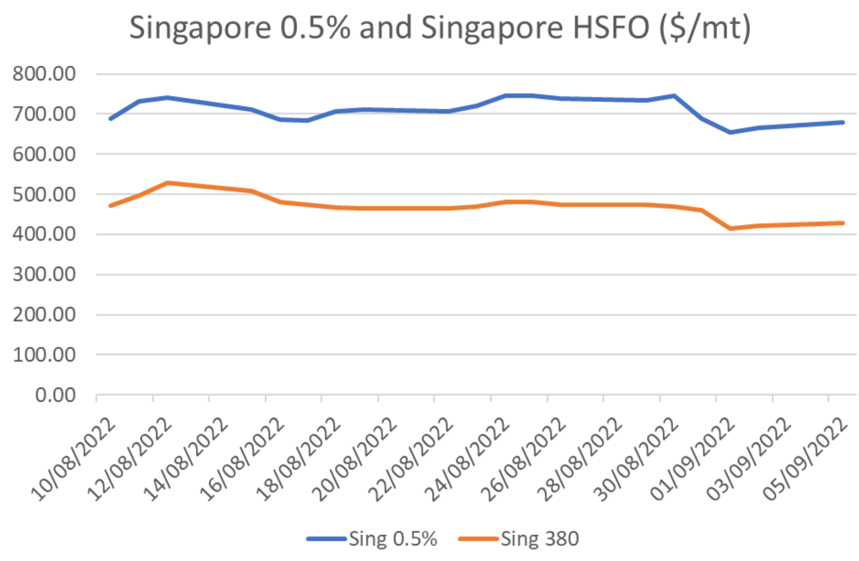
Bunker prices fall with Brent

As reported in the FIS Live app, Singapore's VSLFO front-month future slumped by $31 or 4.39% to $675.25/mt from Monday, 29th August to Monday, 5th August. Rotterdam's VSLFO front-month future decreased by $26 or 4.03% to $636.5/mt. The front-month futures are lower than Singapore and Rotterdam spot prices by between $42 -$57 in both HSFO and VLSFO. There continues to be a gentle backwardation on the futures curve for VSLFO futures. HSFO futures still presents a flat forward curve.

Physical VSLFO bunker prices had a short-term bearish movement. ENGINE Online's prices showed that we could be in a neutral sentiment as bunker prices reduced the range of $697-$809/mt in the last week in major ports (Singapore, Rotterdam, and Houston) before moving steadily for the remainder of the week. The week started with prices rising on Monday and then drastically dropping in the early hours of Tuesday, 30th August, throughout the rest of the week. Sing 0.5% saw its price drop from $808.51/mt 00:00 GMT Tuesday 30th August to $697.3/mt 00:00 GMT Friday 2nd September. That's a 13.75% drop. Prices were steady through the weekend and climbed to $745.11 on Monday, 5th September.

It was reported that Singapore's residual fuel oil inventories climbed to a 19-week high despite a dip in weekly net import volumes. Inventory stocks rose by 7 per cent to 22.67 million barrels (3.57 million tonnes) in the week ended Aug. 31, Enterprise Singapore data showed. The increase is said to be supported by higher Russian fuel oil flows. Most total oil flows into East Asia do pass by Singapore.

Text pricing data: *FIS and ENGINE Online,* ***Chart data:*** *FIS*



Sources: *FIS, ENGINE Online, Enterprise Singapore, IHS Markit Commodities at Sea Service*

Bunker Market (cont)

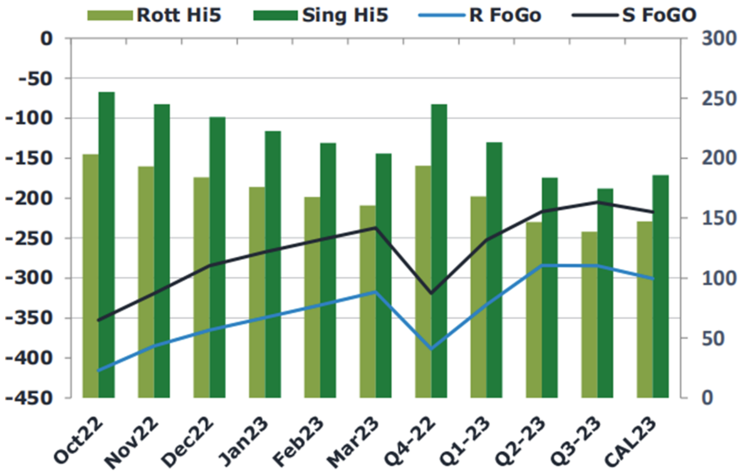
Hi5 and EW Spreads

Steady inflows of HSFO from Russia are keeping pressure on the Asian market in the near term because there is nowhere else that the Russian cargoes can go because of the bans in Europe – placing pressure on the Sing 380 CST front, especially which is evident in the price shift from $441.35/mt this time last week, to currently printing around $403/mt today 1145 BST. Though, the drop in crude price has a part to play in this as well, seeing a $6/bbl difference in the same period.

Low sulphur spreads have fallen off massively on the week. Sing 0.5% Oct22/Nov22 contracts were pegged at $14.50/mt on 30/08/2022; this contract rolled to the front month as we entered September and is trading at $8.75/mt today. We see a less drastic drop for the Euro 0.5% spread in the same months but still sizable – from $11/mt last Tuesday to where it is trading today at $8.50/mt.

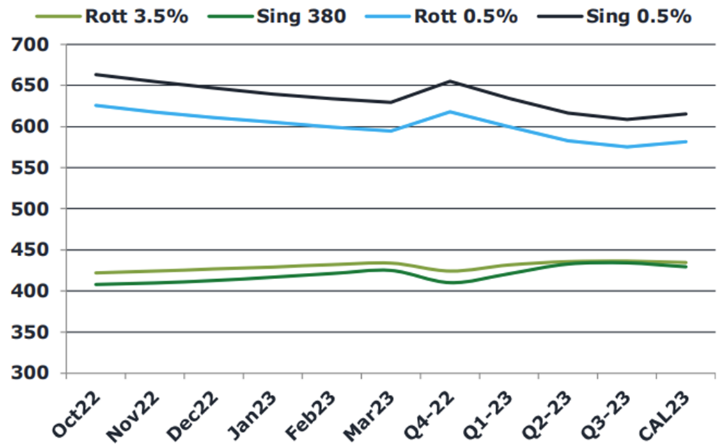
Liquidity in the high sulphur Rotterdam barges market is down 80%, falling from 44 trades on 2nd September to 9 trades yesterday as the prices begin to recover.

Rotterdam and Singapore Hi5 and FOGOs



Source: FIS

Rotterdam and Singapore FO Futures



Source: FIS

Hi5 Forward Curve Values

	Rott Hi5	Sing Hi5
Oct-22	204	255
Nov-22	193	245
Dec-22	184	234
Jan-23	176	223
Feb-23	168	213
Mar-23	161	204
Q4-22	194	245
Q1-23	168	213
Q2-23	147	184
Q3-23	139	175
CAL23	147	186

Table Sources: FIS

HSFO and 0.5% East-West Spread

	EW380	EW0.5%
Oct-22	-14.25	37.45
Nov-22	-14.50	37.45
Dec-22	-14.00	35.95
Jan-23	-12.25	34.45
Feb-23	-10.75	34.20
Mar-23	-8.75	34.45
Q4-22	-14.25	36.95
Q1-23	-10.58	34.37
Q2-23	-3.08	33.70
Q3-23	-2.33	33.45
CAL23	-1.75	33.68

Tanker Market:

TC2 spot index lost over 10% between Friday 26/08 and Friday 02/09, plummeting from ws224.44 to ws200.56 on a lack of cargo activity. However, TC14 looked to have also been bottoming out around ws140 levels midweek with rumours of ballasters in the USAC coming back towards Europe. Also, hearing activity is picking up once more as refineries move from summer to winter grade; positive movements are expected to begin the week. LR1s continued to remain in the ascendency, with TC5 closing last week at ws305, a climb from ws299.29 though the paper market felt softer, September sliding under ws300 to a week low of ws285.

Rates came softer across the VLCC market, TD3C, after ending the previous week at highs around wsS80.18, falling to ws75. In the FFA market, Cal23 dropped around $1/mt from $12.40/mt seen (Friday 26/08) to $11.50/mt (Friday 02/09) though with a $2.50 drop in front-month Brent during midweek touched as low as $11.35/mt. As demand at the front eased, September came off throughout the week, Friday's Baltic assessments reading sub-72 after prints as high as ws83.5 at the end of the week prior.

The Suezmax market also echoed such sentiment, with the TD20 spot market declining from ws132.27 to ws127.95. The FFA Cal23 is down from a peak at $16.40/mt, slipping to a close below $15.70/mt last Friday.

We also saw some reasonable movement in the USGC Aframax index, ending last week at ws206.07 after settling at ws231.42 at the close of the previous; TCE earnings on a round trip lost over $5,000 per day. This was reflected in the tanker market as the Q4 contract lost dropped around 5ws to 232, though we had seen it dip sub-230ws.

Technical view of the Tanker Market:

Tankers TD3

October futures – We noted last week that although technically bullish, we had a negative divergence in play, not a sell signal. It did warn that we had the potential to see a momentum slow down, resulting in both the September and October contracts moving lower. Last week we noted that the futures looked to be on a bullish Elliott wave 3, suggesting downside moves should be considered countertrends. The futures now look to have entered a countertrend wave 4 with key support at USD 13.2580; the price is bullish above this level and neutral above. The RSI is above 50 with the stochastic in oversold territory, and momentum warns that the futures are vulnerable to further tests to the upside.

FIS senior analyst, Edward Hutton

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Chart Source: Bloomberg